

LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
LOUISIANA STATE UNIVERSITY SYSTEM
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED DECEMBER 26, 2013

**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
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PAUL E. PENDAS, CPA

DIRECTOR OF FINANCIAL AUDIT
THOMAS H. COLE, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 18, 2013

**LOUISIANA STATE UNIVERSITY
HEALTH SCIENCES CENTER -
HEALTH CARE SERVICES DIVISION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As required by Louisiana Revised Statute 24:513 and as a part of our audit of the Louisiana State University System's (LSU System) financial statements for the fiscal year ended June 30, 2013, we conducted certain procedures at the Louisiana State University Health Sciences Center - Health Care Services Division (HCSD) for the period from July 1, 2012, through June 30, 2013.

- Our auditors obtained and documented an understanding of HCSD's operations and system of internal control through inquiry, observation, and review of HCSD's policies and procedures, including a review of the laws and regulations applicable to HCSD.
- Our auditors performed analytical procedures consisting of a comparison of the most current and prior year financial activity using HCSD's annual financial statements and/or system-generated reports and obtained explanations from management for any significant variances. We also presented the positions terminated over the past three years and salaries related to those positions, projected revenues generated by the privatization of state-run hospitals, and the partners of the five previously state-run hospitals in the Highlight Report.
- Our auditors reviewed the status of the findings identified in the prior management letter, dated February 22, 2013. The prior year findings relating to insufficient support for eligibility determinations in the HIV care formula grants program and unauthorized purchases on LaCarte procurement card have been resolved by management.
- Our auditors considered internal control over financial reporting and examined evidence supporting the following:

Statement of Net Position - accounts receivable, amounts due to/from other campuses, amounts due to/from state treasury, capital assets, accounts payable, other postemployment benefits payable, deferred revenues - advance lease payments, and net position

Statement of Revenues, Expenses, and Changes in Net Position - hospital income, hospital expenses, state appropriations, other non-operating expenses, and capital appropriations

We also tested HCSD's compliance with laws and regulations that could have a direct and material effect on the LSU System's financial statements, as part of our audit of the LSU System's annual financial report for the fiscal year ended June 30, 2013, in accordance with *Government Auditing Standards*.

The annual financial statements of HCSD were not audited or reviewed by us, and, accordingly, we do not express an opinion on those statements. HCSD's accounts are an integral part of the LSU System's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

Based on the application of the procedures referred to previously, we have included the following significant findings for management's consideration. The finding related to overcharging for patient services will be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2013.

Overcharging for Patient Services

University Medical Center (hospital) overcharged patients by \$394,983 for services that were not actually provided. As a result, the hospital inflated the uncompensated care cost for uninsured patients which may cause the hospital to inappropriately receive federal payments through Medicaid. In addition, the hospital may have wrongly received payments from Medicaid and a Medicare supplement insurance plan. Any payments received as a result of the overcharging will likely have to be repaid.

The hospital did not have procedures in place to identify and correct inaccurate and duplicate information entered or transferred into the billing system. Seventeen of the 20 (85%) excess charges noted below were from errors made in the pharmacy system that were transferred into the billing system.

- Twelve overcharges totaling \$290,319 were for uninsured patients.
- Seven overcharges totaling \$86,017 were for Medicaid patients.
- One overcharge of \$18,647 was for a Medicare patient who had supplemental insurance.

HCSD management should determine the extent of the overcharges and determine what adjustments or reimbursements are necessary. Management concurred with the finding and provided a corrective action plan (see Appendix A, pages 1-2).

Misappropriation of Drugs

A University Medical Center (hospital) Emergency Room nurse misappropriated a controlled substance and charged patient accounts for the drug and related charges totaling \$25,978 from October 2012 through March 2013. As a result, the hospital inappropriately charged patients, insurance companies, and/or federal programs for the misappropriation. Unrelated to this misappropriation, the nurse also failed to submit medical service charge sheets to be billed totaling \$6,684 for five service dates occurring as far back as October 2009. According to management, it is too late to code and bill for these services.

Management acknowledged that there was likely a breakdown in controls over the disposal of drugs and the pharmacy's failure to recognize the excessive volume of controlled substance being disbursed to the emergency room. Management also noted that the loss of staff and unstable environment from pending layoffs may have contributed to the breakdown in controls.

The hospital did not seek restitution for the misappropriated drugs or unbilled services from the nurse. The nurse has been hired by Lafayette General.

Hospital management identified the misappropriation and performed an investigation to determine the amount of drugs and related charges that were inappropriately billed to patients, insurance companies, and/or federal programs. Management subsequently reversed the inappropriate charges identified and reimbursed payments received on the fraudulent charges. Management should seek restitution from the nurse who misappropriated the drugs. Management concurred with the finding and provided a corrective action plan to include restitution from the nurse for the reimbursable cost of the misappropriated drugs (see Appendix A, page 3).

Inadequate Maintenance of Admit/Registration Documentation

W.O. Moss Regional Medical Center did not maintain adequate documentation used to properly classify patients as indigent who may have Medicare, Medicaid, or commercial insurance coverage, which could result in an overbilling of the Uncompensated Care Cost Program and an underbilling of other federal programs or commercial insurance carrier. In a sample of 10 indigent care patients, we found that seven (70%) patient files did not include the Healthcare Data Exchange (HDX) system screen print, which is used to document the determination of whether the patient has Medicare, Medicaid, or commercial insurance coverage. Failure to properly classify patients could result in repayment of funds to the overbilled federal grantor and rebilling to the correct payer.

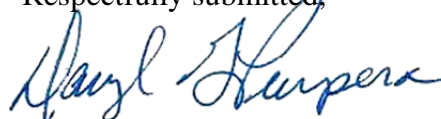
HCSO Policy 1503-11, Admit/Registration and Financial Screening Policy, states that all items used in financial screening and subsequent billing and/or determination shall be kept and maintained in the document imaging system in accordance with all federal and state guidelines, as well as HCSO policies.

Management should maintain all documentation used in the Admit/Registration process for properly classifying indigent patients who may have Medicare, Medicaid, or commercial insurance coverage to ensure that charges are billed to the appropriate payer. Management concurred with the finding and provided a corrective action plan (see Appendix A, page 4).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of HCSO. The nature of the recommendations, their implementation costs, and their potential impact on the operations of HCSO should be considered in reaching decisions on courses of action. The findings relating to HCSO's compliance with applicable laws and regulations should be addressed immediately by management.

The purpose of this letter is solely to describe the scope of our work at HCSO and not to provide an opinion on the effectiveness of HCSO's internal control over financial reporting or on compliance. Accordingly, this letter is not intended to be and should not be used for any other purpose. Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Daryl G. Purpera, CPA, CFE
Legislative Auditor

BAP:BH:EFS:THC:mk

HCSO2013

APPENDIX A

Management's Corrective Action Plans and Responses to the Findings and Recommendations

October 3, 2013

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Purpera:

LSU Health Care Services division has reviewed the draft audit finding regarding the University Medical Center Overcharging for Patient Services and agrees that the accounts sampled by the Louisiana Legislative Auditors and found to be in error were billed incorrectly.

The errors were primarily caused by a misunderstanding of several UMC pharmacists, causing some chemotherapy medications to be billed twice. There were also miscellaneous errors which caused a few instances of double billing.

Prior to the transition of UMC to the private partner, UMC officials met with the two pharmacists responsible for the majority of the billing errors, as it relates to the double printing of chemotherapy medication labels and educated them on the appropriate procedures. One of those Pharmacists is employed by the partner hospital.

To further address the errors found in the audit, LSU HCSD will initiate the following corrective action plan:

- 1 Request that the partner hospital send out a reminder to all pharmacists to ensure that double label prints do not cause future double billing.
- 2 Conduct an audit on data from May 1, 2012 to COB June 23, 2013 to quantify the errors that actually occurred. This is necessary because not all of the pharmacists at UMC followed the practice of double charging for chemotherapy medications, despite the double printing of labels.
- 3 Refund any monies not due LSU UMC, as well as adjust any cost reports to the corrected charges.
- 4 Request the partner hospital's Compliance Department to set up periodic monitors to ensure that the issue remains corrected.
- 5 Work with the HCSD Central Billing Office to determine if there are controls that can be established in order to catch double billing of medications.

The above corrective actions will be completed under the direction of Rebecca Reeves, Compliance Officer.

If additional information is needed, please do not hesitate to let me know.

Sincerely,



Lanette Buie

Deputy Chief Executive Officer

cc: Frank Opelka, MD, Executive Vice President
John Couk, MD, Chief Medical Officer
Mark Robichaux, Comptroller
Rebecca Reeves, Compliance Officer

November 19, 2013



Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O. Box 94397
Baton Rouge, LA 70804-3800

Dear Mr. Purpera,

LSU Health Care Services Division (LSU HCSD) has reviewed the draft audit finding regarding University Medical Center (UMC) Misappropriation of Drugs Findings and concurs with the findings of the Louisiana Legislative Auditor that such misappropriation occurred.

The misappropriation likely went undetected due to the unstable work environment during the pertinent time period due to layoffs and inability to retain staff as a result of the management and operations transition of UMC to a private health care partner.

Prior to receiving these Legislative Auditor's findings, UMC had already taken extensive action to address the correction of accounts related to the misappropriation of drugs so that no payer was held responsible for payment of medication that was not actually administered to a patient. The Legislative Auditor's findings outline those steps taken. UMC transitioned to a private partner hospital as of June 24, 2013. This partner hospital is now responsible for instituting controls over narcotic medications. However, LSU HCSD can use the lessons learned in this case to review and, if necessary strengthen controls in its remaining hospitals.

In addition to the action already taken by UMC, LSU HCSD will seek restitution from the previously employed UMC nurse who was responsible for the misappropriation of drugs. LSU HCSD has determined that the nurse would need to make restitution in the amount of \$6,485.49. A letter will be drafted by Tammy Simien, LSU HCSD Senior Staff Attorney, notifying the nurse of LSU HCSD's intention to pursue collection of the above stated amount. This letter will be completed and sent no later than December 16, 2013.

If additional information is needed, please do not hesitate to contact us.

Sincerely,

A handwritten signature in blue ink that reads "Lanette Buie". The signature is fluid and cursive.

Lanette Buie
Deputy CEO

cc: Tammy Simien, Senior Attorney
Rebecca Reeves, Compliance Officer

WWW.LSUHOSPITALS.ORG

June 20, 2013

Mr. Daryl G. Purpera, CPA, CFE
Legislative Auditor
Office of the Legislative Auditors
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Response to Legislative Auditor Findings
Inadequate Maintenance of Admit/Registration Documentation
LSU Health Care Services Division
W. O. Moss Regional Medical Center (WOMMC)

Dear Mr. Purpera:

The Louisiana State University Health Care Service Division (HCSD) concurs with the referenced audit findings regarding the inadequate maintaining of Healthcare Data Exchange (HDX) documentation. Even though the HDX documents were not scanned in these samples, the procedure of verifying third party coverage is consistently followed in accordance with our policies.

In an effort to address the documented deficiencies, the employees have been reminded of the importance of running the HDX verification and refreshed on the procedure of scanning it into the document imaging system.

The Registration Manager will be responsible for on-going training as needed and will follow up with monthly reviews to assure documentation is scanned as required. The reviews will be reported to the Chief Financial Officer each month.

Sincerely,



Michael A. Kaiser, MD
CEO/CMO LSU Health Care Services Division

cc: Lanette Buie, Deputy CEO, HCSD